Oil | Agriculture | Metals | Carbon & Power |Dry Freight

Click on headers to go to that section

Top News - Oil

Exxon delivers $9.2 billion second-quarter profit, raises output target

Exxon Mobil on Friday posted a better-than-expected $9.2 billion second-quarter profit based on rising oil prices and volume gains from its purchase this year of shale oil firm Pioneer Natural Resources.

Exxon delivered a $2.14 per share profit that beat analysts' estimates on oil production and pricing gains that offset refining weakness. Results mirrored profit beats by rivals BP<BP.L>, Shell and ConocoPhillips.

"I'd say vectors are all pointing up," said Exxon CEO Darren Woods of the output gains.

The top U.S. oil producer's focus on oil underscores its view that demand will remain strong for years to come, he said.

"Oil demand continues to be at record levels. Last year was a record. We anticipate this year will be a record and then next year will be a record," Woods said. BP this month forecast peak oil demand next year.

Net income was $9.24 billion, up from $7.88 billion a year ago, largely on higher oil prices and gains from asset sales that offset weaker refining earnings.

Shares were up a fraction at $117.91 in early tradingas the overall stock market fell for the second day in a row.

The company warned the Golden Pass liquefied natural gas (LNG) joint venture development project stalled by the lead contractor's bankruptcy would be delayed until late 2025. Exxon owns a 30% stake in the project and had earlier expected a first-half startup.

US SHALE BOOST

The profit boost from the Pioneer purchase highlighted how quickly Exxon was able complete the $60 billion deal compared to rivals. Chevron and ConocoPhillips' acquisitions are still waiting on regulatory reviews. Chevron this week indicated the closing of its Hess purchase may not happen until the second half of next year.

Exxon, a partner with Hess in Guyana, has challenged Chevron's deal and its arbitration claim should be resolved by September 2025, Chief Financial Officer Kathryn Mikells told Reuters in an interview, later than Chevron has signaled.

It raised its 2024 output target by 13% to 4.3 million barrels of oil equivalent per day (boepd) following the Pioneer deal, Mikells said. Exxon produced 3.74 million boepd in 2023.

"We already see a line of sight of greater synergies" than expected when Exxon announced the transaction, Mikells said, adding that any updates would be disclosed in December.

REFINING WEAKER

Profits from pumping oil and gas jumped 25% over a year ago to $7.1 billion while those from the company's gasoline and diesel business fell 32% to $946 million. Chemicals profits were flat at $779 million in the quarter.

Expenses rose modestly with capital spending of $7.03 billion, including $700 million in spending on assets acquired from Pioneer, up from $6.17 billion in the same quarter a year ago.

Exxon increased its annual capital expenditure guidance to $28 billion from the previously estimated $23-$25 billion.

The results also showed higher cash flow from operations which will help fund higher share buybacks and dividends. Cash flow from operations climbed to $10.5 billion, from $9.4 billion a year ago.

The company plans to buy back $19 billion in shares this year, the largest share repurchase program among its top Western rivals, up from $17.4 billion last year.

Oil and gas production in the second quarter grew by 15% from the previous quarter, or 574,000 boepd, including the added Pioneer contribution. Exxon had anticipated that Pioneer would add 500,000-550,000 boepd of output in the quarter.

Its Guyana operations, which were expected to produce about 600,000 boepd this year with partners, posted peak production in May, with a record of 663,000 boepd.

Japan's gasoline imports seen rising through August as refinery outages cut output

Japan's gasoline imports are expected to stay elevated through August after rising 20% in June as outages at its refineries are reducing output during peak summer demand season, traders and analysts said.

Import demand from Japan will further tighten supplies in Asia and support refiners' gasoline margins which have rebounded to two-month highs earlier in July.

Japan's gasoline imports in June rose to 476,630 kilolitres, up 20.4% from the previous month, data from the Ministry of Economy, Trade and Industry (METI) showed on Wednesday.

This is equivalent to 99,930 barrels per day, up 24.5% from May, according to Reuters calculation. Japan's gasoline imports averaged at 55,168 bpd in 2023, according to Reuters calculations based on METI data.

"We expect Japan to import over 120,000-130,000 barrels per day of gasoline in July and August. This is mainly driven by a combination of planned maintenance and recent outages," Wood Mackenzie analyst Priti Mehta said. A Singapore-based trader said higher imports from Japan due to unplanned outages will cause a decline in Asia's overall gasoline supply.

Cosmo Energy Holdings said it plans to increase gasoline imports for July-August from the same period last year but it didn't provide figures.

Rystad analyst Rohit Raveendran said the significant rise in imports is driven by a forecasted drop in refinery runs to about 1.9 million bpd in June, which could fall further to 1.7 million bpd in the coming months due to unplanned shutdowns and ongoing maintenance.

Japan's average weekly refinery utilisation rate fell to 63.6% in the week to July 27 from 66.2% in the prior week, data from the Petroleum Association of Japan (PAJ) showed.

PAJ said the imports could be rising due to maintenances and outages at plants owned by top oil refiner Eneos Holdings and Cosmo Oil during peak summer demand.

Eneos declined to comment.

While there could be an increase in gasoline demand in a particular summer month, overall consumption is expected to decline by 2-3% annually through the fiscal year of 2028, PAJ said, citing a recent METI's forecast.

According to METI prediction issued in April, gasoline demand is expected to continue falling due to a shift to next- generation vehicles such as hybrid cars and improved fuel efficiency of gasoline cars.

Top News - Agriculture

PREVIEW-Malaysian palm oil stocks seen down, first time in four months

Palm oil inventories in Malaysia, the world's second-biggest producer, is expected to drop in July for the first time after three consecutive months of rise, a Reuters survey showed on Monday.

Malaysia's palm oil stocks were seen at 1.80 million metric tons, down 1.17% from June-end, according to the median estimate of 11 traders, planters and analysts polled by Reuters.

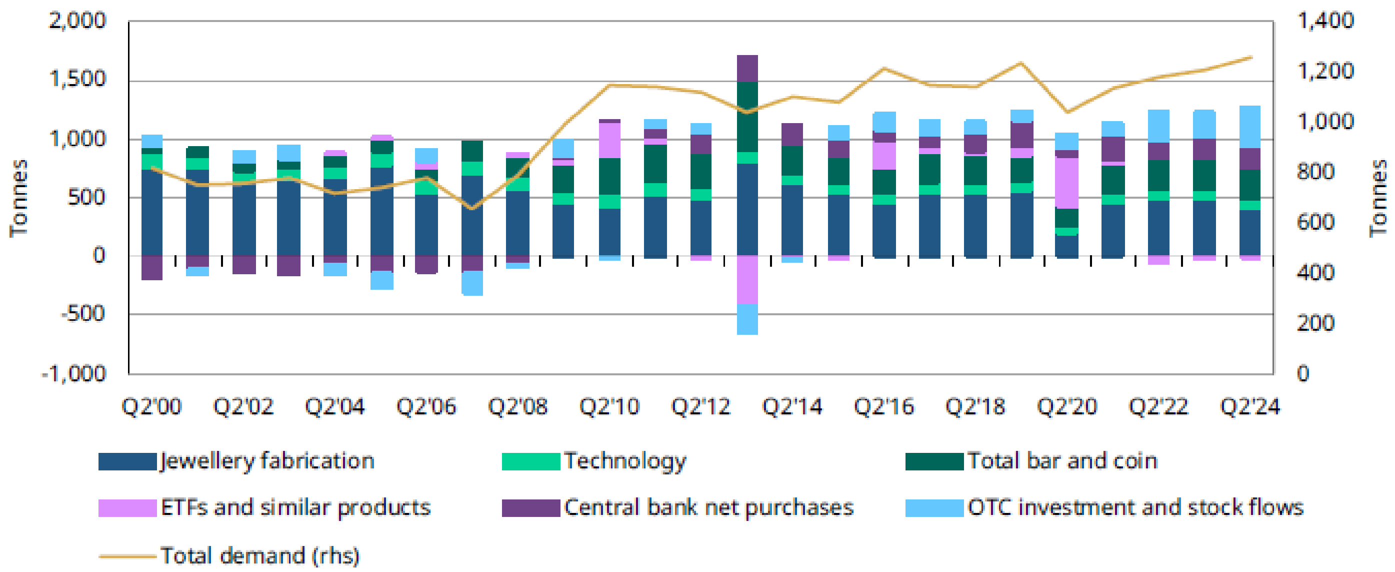
Elevated beginning stocks, soaring production and marginally higher imports is set to make supply faster than demand, thus fueling higher stocks as at end of July, said Sathia Varqa, co-founder of Singapore-based Palm Oil Analytics.

Shipments of palm oil products were estimated to have increased by 26.1% month-on-month to 1.52 million tons in July.

Meanwhile, crude palm oil (CPO) production was seen at 1.82 million tons, a 12.7% increase month-on-month.

Chart of the Day

Q2 total gold demand by sector, tonnes*



*Data as of 30 June 2024.

Source: ICE Benchmark Administration, Metals Focus, Refinitiv GFMS, World Gold Council

Output is seen rising as July is considered to be a higher production month, analyst said.

The Malaysian Palm Oil Board (MPOB) is scheduled to release its monthly palm oil data on August 12.

World food prices ease slightly in July, UN says

The United Nations world food price index eased slightly in July according to data released on Friday, with a decline in the index for cereals offset in part by increases for meat, vegetable oils and sugar.

The U.N. Food and Agriculture Organization's price index, which tracks the most globally traded food commodities, averaged 120.8 points in July, down from 121.0 in June. The June reading was revised after initially being given as 120.6.

The FAO Cereals Price Index declined 3.8% to its lowest level in nearly four years with global export prices for all major cereals falling for the second consecutive month.

Wheat prices fell on seasonal availability from ongoing winter wheat harvests in the northern hemisphere and favourable conditions for spring wheat crops in Canada and the U.S., the FAO said.

"Maize (corn) export prices also declined as harvests in Argentina and Brazil progressed ahead of last year's pace and crop conditions in the United States remained robust," the report added.

Prior to July, the FAO food price index had risen for four consecutive months after hitting a three-year low in February as food prices receded from a record peak set in March 2022, following Russia's invasion of fellow crop export major Ukraine.

The July value was 3.1% down on its level one year ago and 24.7% below its 2022 high point.

Top News - Metals

Gold's run to record high may crimp demand: Russell

Gold has been the standout commodity performer so far this year, gaining 18.5% and posting a record high.

But the precious metal may become a victim of its own success, with consumer buying at risk from the surge in prices.

Spot gold ended at $2,443.29 an ounce on Aug. 2, and it has largely held onto the gains made this year, which saw a sustained rally to an all-time high of $2,483.60 on July 17.

The World Gold Council released its quarterly report last week and the industry group reported total demand of 1,258.2 metric tons in the second quarter, the highest on record for a second quarter and some 4% above the same period in 2023.

But the breakdown of the demand figures shows some trends that may point to a slowdown in coming quarters.

MARKET MONITOR as of 06:48 GMT

Contract	Last	Change	YTD
NYMEX Light Crude	$72.85 / bbl	-0.91%	1.67%
NYMEX RBOB Gasoline	$2.12 / gallon	-1.06%	0.50%
ICE Gas Oil	$705.50 / tonne	-1.02%	-6.03%
NYMEX Natural Gas	$1.91 / mmBtu	-2.75%	-23.91%
Spot Gold	$2,428.96 / ounce	-0.59%	17.76%
TRPC coal API 2 / Dec, 24	$120.5 / tonne	2.55%	24.23%
Carbon ECX EUA	€68.62 / tonne	-2.78%	-14.62%
Dutch gas day-ahead (Pre. close)	€36.40 / Mwh	0.00%	14.29%
CBOT Corn	$4.03 / bushel	0.00%	-16.68%
CBOT Wheat	$5.58 / bushel	-0.76%	-12.74%
Malaysia Palm Oil (3M)	RM3,868 / tonne	-1.25%	3.95%
Index	**Close 02 Aug**	**Change**	**YTD**
Thomson Reuters/Jefferies CRB	318.57	-1.25%	5.70%
Rogers International	26.48	-3.02%	0.59%
U.S. Stocks - Dow	39,737.26	-1.51%	5.43%
U.S. Dollar Index	102.90	-0.30%	1.55%
U.S. Bond Index (DJ)	437.87	0.93%	1.66%

The biggest gain in demand was from what the Council called the Over The Counter (OTC) market, which largely means buying from institutional investors, high net-worth individuals and family offices.

OTC demand was 329.2 tons in the second quarter, up 53% from the same quarter in 2023 and a massive jump of 385% from the first quarter.

The Council attributed the surge in OTC appetite to "portfolio diversification," which leads to the question as to how sustainable this demand is, given that once these investors have reached the point where they feel they have sufficient gold in their asset mix, they will likely ease back on purchases.

The report also showed a strong decline in jewellery consumption, which dropped to 390.6 tons in the second quarter, down 19% from the same period in 2023.

Joining jewellery in the losing column was official coins, where demand dropped 38% to 52.7 tons in the second quarter.

Both of these signal that consumers may be starting to pull back on purchases because of the strong gain in prices.

CHINA, INDIA

Of particular concern is jewellery demand in China and India, the two largest buyers of physical gold, which together account for almost half the market.

China saw jewellery demand slump 35% in the second quarter to 86.3 tons, while India recorded a 17% fall to 106.5 tons, according to the Council report.

A further sign that China's appetite for gold may be waning somewhat was the 18% drop in net imports via Hong Kong in June, with official data showing imports of 21.92 tons, down from 26.72 tons in May.

China doesn't disclose gold import volumes, making the Hong Kong data a key proxy for demand in the world's top consumer.

India's consumer demand is likely to get a boost in the current quarter after the government cut the import duty to 6% from 15%, but this is also likely to prove to be a one-time sugar hit to demand, rather than a sustainable shift to higher demand.

Higher prices also likely weighed on flows into Exchange Traded Funds (ETFs), with the Council figures showing a net drop of 7.2 tons in the second quarter, which followed a decline of 113 tons in the first.

Central bank buying also eased in the second quarter, coming in at 183.4 tons, down from the 299.9 tons in the first, although up 6% from the 173.6 tons in the second quarter of 2023.

Overall, there are enough factors to suggest that the rise to a record high for gold is starting to crimp some of the more price-sensitive demand.

But it's not all bad news, with investor interest likely to be maintained by the ongoing expectation that monetary policy in several key countries is likely to be eased, with a particular focus on likely interest rate cuts by the U.S. Federal Reserve.

High geopolitical tensions, with ongoing conflict in the Middle East and Ukraine, as well as political risk surrounding what is shaping to be a tight U.S. presidential election are also likely to keep interest in gold high.

The combination of bearish and bullish factors for the yellow metal may end up having the effect of keeping the price in a relatively narrow range for the rest of the year.

The opinions expressed here are those of the author, a columnist for Reuters.

Sea-bed regulator elects secretary general as calls grow to pause deep-sea mining

The International Seabed Authority (ISA) has elected Leticia Carvalho of Brazil as its next secretary general, as pressure mounts for a pause on efforts to mine the sea floor for minerals for use in the energy transition.

Carvalho replaces two-term incumbent Michael Lodge, the ISA said in a statement on Friday. Her four-year term as head of the United Nations-mandated body that regulates sea-floor mining will start in 2025.

The appointment of Carvalho, who formerly worked for Brazil's oil regulator, could trigger a change in approach at the ISA.

Carvalho told The Guardian last month that rules governing deep-sea mining will take time and that no mining application should be approved before they are complete.

Canada's The Metals Company (TMC) has said it is seeking a licence by year-end to extract minerals from the ocean floor.

MEETINGS

The ISA last week finished a series of meetings in Kingston, Jamaica, where the 36 member council was drafting a mining code that would regulate the exploration and extraction of "polymetallic nodules" and other deposits on the ocean floor.

Negotiators have been racing to ensure that formal rules are in place before mining activity begins. Those rules are not likely to be completed until next year.

As many as 32 states have called for a pause on deep-sea mining, said the Deep Sea Conservation Coalition, a group of non-governmental organisations that oppose deep-sea mining.

"Many (states) are calling for a moratorium or precautionary pause on deep-sea mining until we have the science needed to inform a robust evidence-based regulatory framework that protects ocean ecosystems from harm," said Julian Jackson, seabed mining project director at The Pew Charitable Trusts.

The rush to complete the mining code was triggered by the Pacific island state of Nauru saying it would submit a mining licence application on behalf of TMC, which triggered the so-called "two-year rule" in 2021.

That rule allows mining applications to be submitted within two years, whether the mining code has been finalised or not.

Environmental groups have called for all seabed activity to be banned, arguing that industrial operations on the ocean floor could cause irreversible biodiversity loss.

TMC has said extracting nodules from the ocean floor is far less damaging than terrestrial mining and will boost supply of elements such as nickel and cobalt that are widely considered vital for the global energy transition.

Top News - Carbon & Power

No decision yet on Woodside's Browse gas project, Australian state regulator says

Western Australia's environment regulator said on Monday it expects to release its recommendations on Woodside Energy's Browse gas project in 2025, after a newspaper reported the huge project might be rejected by the regulator.

The $20.5 billion project in waters off Western Australia is the country's largest untapped gas resource but has been stuck on the drawing board for decades.

A report in the Sydney Morning Herald newspaper on Monday said the Western Australian Environmental Protection Authority's (EPA) preliminary comments sent to the company in February called the proposal terms "unacceptable".

"It is not appropriate to comment on any outcome until the assessment and appeals process are complete," EPA deputy chair Lee McIntosh said in an email.

Woodside's development plan has been under review since 2020, and the company has sought extensions to respond to the regulator, McIntosh said, adding final recommendations would go to the state government in 2025.

The company wants Browse to replace ageing gas fields to supply the North West Shelf LNG (liquefied natural gas) plant and meet demand from Australia's biggest trading partners, including China, Japan and South Korea.

Woodside declined to confirm if it had received a report from the EPA but said the company continued to work with regulators to progress environmental approvals for the project.

Shares of the company were down about 3% in late morning trade, largely in line with the fall in the broader market.

BP holds a 44.33% stake in the project, while Japan Australia LNG (MIMI Browse) has 14.40% and PetroChina 10.67%. Woodside, the operator, owns a 30.60% stake.

Browse needs approvals from the state and federal governments. The federal Labor government views gas as a critical element in the country's transition to cleaner energy and in May backed long-term gas drilling despite aiming for net-zero carbon emissions by 2050.

Environmental groups oppose development of Browse, saying it poses threats to the endangered Pygmy Blue Whales and Green Turtles and would raise the risk of pollution and oil spills.

Venture Global LNG sues Kiewit, alleges it shared confidential documents with Shell

U.S. liquefied natural gas company Venture Global LNG sued construction contractor Kiewit on Friday, alleging it passed confidential documents to Shell Plc.

Venture Global LNG's Calcasieu Pass plant has been at the center of a long-running dispute involving energy companies including BP Plc, Shell and others over access to LNG from the plant.

"Kiewit was entrusted with this information to enable its work to construct a natural gas liquefaction and export terminal in Cameron Parish, Louisiana developed by Venture Global," Venture Global said in a New York State Supreme Court filing.

The confidential information included proprietary project development, design, configuration methods, and detailed information about the multi-billion-dollar facility's design and construction, Venture Global said.

"Kiewit admits that it disclosed thousands of pages of confidential information to Shell and its project manager for the facility has been speaking directly with Shell about the project," the company added in the filing.

Venture Global said it will seek an award in arbitration to prevent further disclosure of confidential information by Kiewit.

"We are equally disappointed by Shell who appears to have solicited this disclosure," Venture Global said in a statement to Reuters.

Kiewit is "reviewing and evaluating this legal matter," a spokesperson told Reuters by email. Shell did not respond to Reuters' request for comment.

The Arlington, Virginia-based firm's Calcasieu Pass plant has been producing and shipping LNG for more than two years, but has not provided contract customers with supplies, saying the plant is not yet fully operational.

The Federal Energy Regulatory Commission in June ordered Venture Global to provide customers with documents about the mechanical problems and startup of its Louisiana plant. BP and Shell in January asked FERC to force Venture Global LNG to release documents to determine why commercial operations were stalled, calling the delay "unprecedented and inexplicable."

Top News - Dry Freight

South Korean mills pass in tender for 50,000 T wheat from United States

A group of South Korean flour mills rejected all offers and made no purchase of around 50,000 metric tons of milling wheat to be sourced from United States sought in an international tender on Friday, European traders said.

Prices offered were said to be higher than expected.

Shipment was sought between Oct. 16 and Nov. 15.

Japan buys 119,145 tons of food wheat via tender

Japan's Ministry of Agriculture, Forestry and Fisheries (MAFF) bought a total of 119,145 metric tons of food-quality wheat from the United States, Canada and Australia, in a regular tender which closed on Thursday.

Japan, the world's sixth-biggest wheat importer, keeps a tight grip on imports of its second-most important staple after rice and buys the majority of the grain for milling via tenders typically issued three times a month.

Picture of the Day

A water buffalo is seen on the day of the Chonburi's annual buffalo race festival, in Chonburi province, Thailand, August 4. REUTERS/Chalinee Thirasupa

(Inside Commodities is compiled by Kishan Nair in Bengaluru)

For questions or comments about this report, contact: **commodity.briefs@thomsonreuters.com**

To subscribe to Inside Commodities newsletter, **click here**.